GOVERNMENT BILLS-Contd.

The special Economic Zones Bill, 2005

MR. DEPUTY CHAIRMAN: Now, we will take up Special Economic Zone. Shri Kamal Nath to move the motion.....*(Interruptions)*.....

SHRI P.G. NARAYANAN (Tamil Nadu): Sir, it is a very important Bill.....*(Interruptions)*.....

MR DEPUTY CHAIRMAN: It has been permitted by the Chairman.

SHRI P.G. NARAYANAN: Sir, this is a very important Bill. It needs an in-depth discussion.....*(Interruptions)*.....

SHRI C. RAMACHANDRAIAH (Andhra Pradesh): Sir, it is a very important Bill. .....*(Interruptions)*.....

MR. DEPUTY CHAIRMAN: He will explain it.....*(Interruptions)*.....He will explain it.

THE MINISTER OF COMMERCE AND INDUSTRY (SHRI KAMAL NATH): Sir, I assure that I will satisfy him of all the concerns he has Sir, I move:

"That the Bill to provide for the establishment, development and management of the Special Economic Zones for the promotion of exports and for matters connected therewith or incidental thereto as passed by Lok Sabha, be taken into consideration."

Sir, the Government of India had announced a Special Economic Zone Scheme in April 2000 with a view to provide an internationally competitive environment for exports. The objectives of Special Economic Zones include making available goods and services free of taxes and duties supported by an integrated infrastructure for export production, quick approval mechanisms, and a package of incentives to attract foreign and domestic investments for promoting export.

There are, at present, 11 functioning Special Economic Zones.In addition, approvals have been given for setting up of 35 new Special Economic Zones in the private, joint and State sectors.

While the policy relating to the Special Economic Zones is contained in the Foreign Trade Policy, incentives and other facilities offered to the Special Economic Zone developer and units are implemented through various notifications and circulars issued by the concerned Ministries and Departments. The present system, therefore, does not inspire enough confidence for investors to commit substantial funds for development of infrastructure. To provide a long-term and stable policy framework with a minimum regulatory regime and to provide expeditious single-window clearance facilities, a Central Act for Special Economic Zones has been found to be necessary in line with international practice.

It is expected that introduction and passage of this Bill will provide confidence and stability to domestic and foreign investors and signal the Government's commitment to the SEZ policy framework. It is expected that many large format, multi-product SEZs that have so far been unable to achieve financial closure will now quickly move towards closure. It is anticipated that the new law would trigger a large flow of Foreign Direct Investment as well as domestic investment in infrastructure and productive capacity leading to the creation of new employment opportunities.

Sir, the salient features of the bill are:-

(i) Matters relating to establishment of Special Economic Zone and for setting up of units therein, including requirements, obligaitons and entitlements:

(ii) Matters relating to requirements for setting up of off-shore banking units and units in International Financial Service Centre in Special Economic Zones, including the fiscal regime governing the operation of such units;

(iii) The fiscal regime for developers of Special Economic Zones and units set up therein:

(iv) Single-window clearance mechanism at the zone level.

(v) Establishment of an authority for each Special Economic Zone set up by the Central Government to impart greater administrative autonomy; and

(vi) Designation of special courts and a single enforcement agency to ensure speedy trial and investigation of notified offences committed in Special Economic Zones.

Sir, this Bill was passed by the Lok Sabha yesterday, and now, I seek the approval of the House to pass this Bill.

The question was proposed.

SHRI C. RAMACHANDRAIAH (Andhra Pradesh): Sir, the hon. Minister could not convince us as to why he has brought it in such a hurry.

SHRI KAMAL NATH: Only when you make your point, I will convince you.

SHRI RAVULA CHANDRA SEKAR REDDY (Andhra Pradesh): Where is the urgency to pass this Bill?

MR. DEPUTY CHAIRMAN: Now, Shri Nilotpal Basu. .....(*Interruptions*).....When you speak on the Bill, the hon. Minister would clarify your points.

SHRI KAMAL NATH: If the Members heard me, there are...

SHRI RAVULA CHANDRA SEKAR REDDY: Sir, you assured us that the Minister would convince us about it. But, nothing of that sort has been said.....(*Interruptions*).....

SHRI JAIRAM RAMESH (Andhra Pradesh): Shri Chandrababu Naidu wanted this Bill to be passed.

SHRI RAVULA CHANDRA SEKAR REDDY: I don't understand if you are directly talking to him.....(*Interruptions*).....Neither was it discussed...

MR. DEPUTY CHAIRMAN: Please cooperate. Sometimes it happens. We are at the fag end of the .....(*Interruptions*).....

SHRI NILOTPAL BASU (West Bengal): Mr. Deputy Chairman, Sir, I would normally not have any difficulty in sharing the concern of the Members on the question of the speed with which the Government is trying to have this legislation in place. But, I think, the converse or the alternative to what route the Government is adopting could be promulgation of an Ordinance which, I think, would be a worst kind of a situation. I think, the difficulty that the Government is confronted with at this point in time is, there is a system already in place. It is apparent from the Bill. That has been established through an executive order. Now, as a Parliamentarian, and as somebody who would be expecting accountability of the Government to Parliament. I cannot deny that instead of the situations which are guided by executive orders, a statutory framework is always a better alternative. I do not deny the fact that it would have been a further and more favourable

situation if we could have enough time to study the Bill, maybe, process it through the Standing Committee.

But, I think, my very good friends, who are there and who are raising this objection are also aware of the circumstances in which as important a Bill as the National Employment Guarantee Bill is stuc Therefore, I think, taking into consideration all these aspects, yes, there could be a further improved situation in erms of legislative scrutiny; but the alternative is worse than the situation that we are faced with. I owe this to my friends. (*interruptions*) Because, Sir, my friends do not understand that we are supporting this Government; but, at the same time, we are acting as conscience keepers of this Government also. So, we have to fit in two caps; as and when it is required by the exigencies of the circumstances, we use the cap which is necessary and, I think, without hurting the feelings of the friends in the Opposition, I also want to say that we are not keeping silent. Wherever the need arises, we do play our role and we do have an independence which, perhaps, if my friends of the Opposition had pursued in the past they would not be in situation that they are in today;

SHRI C. RAMACHANDRAIAH: That has resulted in more than 8 per cent growth rate.

SHRI NILOTPAL BASU: I have no quarrels with them. Having settled the scores. I think, in right earnest, whatever opportunity is available, we should exercise that. We are supporting this Bill. We are supporting this Bill because it is very important, because, Sir, we have discussed not may be at great lengths, again because of absence of the Opposition. I am really unhappy to speak in a situation like this where half of the benches are empty and we know the critical role of the Opposition in a Parliamentary system. But if we go into the specifics of the verdict, which has brought this Government to this place; they have imposed the kind of responsibility that we find ourselves imposed with, is because employment in the country has really assumed critical proportions, and the kind of situation that we were confronted with the employment, I think, one of the major concerns that has to inform the policies of the Government is how to address the challenge of unemployment.

Just now we had a very good discussion on the North-East. There also, that is the critical element-how do we address the question of employment in the North-East? And, I think, this theme would time and again echo across this House and come up in very major manner. Now we are

positioned in a situation where we have to grow in economic terms but at the same time we have to undertake a trajectory of development where that growth translates into benefits for the people, young people at the grass roots. Therefore, one of the major components of the kind of growth path that we have to choose will have to be largely informed by what will be the impact on the question of employment. I am not really trying to join issue with the Government; everybody knows that we have certain fundamental difference in terms of approach with the Government or the major parties which constitute this Government. But at the same time, I think that the question is not only investment. Investment is very, very important, investment is critical. Without investment we cannot grow but we have also to be concerned wit the quality of investment and the sectors in which that investment is deployed. We can have investment but unless it is linked to the question of unleashing the potential generation of employment that investment will ultimately mean nothing to us and we cannot sustain the growth path that we have to have in the country. Therefore, Sir, from that point of view, I think it is important. I compliment one of the very important Members of the House, Shri Jairam Ramesh who have written a book on the comparisons of the two counries, China and India. If we disaggregate the pattern of Foreign Direct Investment in our counry, one of the major weaknesses we are having as compared to China is that 63 per cent of the Foreign Direct Investment in China is in the manufacturing sector. The investment which is taking place is directly related to growth generation of employment. Therefore, when we hear in this country sometimes—hoopla—about investment generally, I think we really miss out on the very essential point that investment is important but even more important is the area or the sector in which we have investment, which leads to positive generation of employment. I think there is broad consensus in this country that we ought to have investment in two to three particular areas. Investment which is related to export, investment which is related to growth of infrastructure and investment which is related to employment generation. Now, the importance of this bill is, I think, it combines all these three aspects. I mean we are trying to create the statutory framework for inducing investment in an area where all these three aspects are combined. This will usher investment, which will lead to export as the name of the Bill itself suggest. It will usher in investment in a manner which will lead to creation of infrastructure within the Special Economic Zones and obviously it will induce investment in such a manner as will give

rise to employment and it will create a situation which will lead to our manufacturers posting better competitive edge in terms of accessing external markets. Therefore, from that basic point of view, I think, the Bill is very important. Now. I hink the third question which I would like to deal with is the structure of the Bill. Now, the Bill envisages a lot of cooperation across entities. Cooperation between the Central Government and the State Governments. Cooperation between the State Governments and the individual developers and the entities within is important. We are trying to bring in all these aspects and all legal hassles to be addressed through a single window system and so on and so forth. Sir, the most critical, I think, in this entire structure, is the cooperation between the States and the Central Government. I think, there is a broad consensus within the country that we need investment for exports. We need investment for infrastructure. We need investment for a world-class infrastructure for manufacturing. As we have seen, the Bill very correctly provides for new facilities. It has provided facilities for certification. It has provided facilities for processing. It has provided facilities for modern technology is testing. The hon. Minister has been dealing with the issues relating to the WTO. We know the difficulties. We know the kind of non-tariff barriers imposed. So, the question of certification and the question of having that kind of infrastructure where the kind of impediments that are there to India exports can be overcome. So, we are tyring to bring together all these aspects in a symbiosis between the State Governments and the Central Government. Therefore, I feel, a little odd that one small provision, in one of the Clauses, is a little too harsh. I am talking about Sub-Clause (4) of Clause 3 of the Bill. If I am allowed, I wish to read it. It says in the second part of the formulation—second paragraph—like this. It says, provided that the Central Government may, after identifing the areas, *suo moto,* set up and notify a Special Economic Zone, withon referring the proposal to the State Government concerned or the Board.' I think, we may have situations where already a Special Economic Zone is in the process of being set up. But, due to the kind of political changes that often take place in the country, there may be a doubt in the minds of the new Government which may create a situation which can pose obstacle to the finalisation or realisation of the project where a lot of investment has gone in. So, some provision should be there with the Central Government to see to it that project comes to fruition. At the same time, there is no harm if still there is a provision to reconcile between differing views of the Central Government and the State

Governments. Therefore, without referring to the State Governments, that provision may be replaced with, 'without curtailing the powers of the Central Government and after referring this to the State Government concerned', I think, that will be a concrete amendment I pose before the hon. Minister. The word 'without' is, actually, infringing with the very spirit and the very framework of the Bill. The motion of cooperative federalism is the heart of the entire legislation, I would point out this.

Sir, the fifth and final point I want to deal with is the question of labour rights. Now, it is true the situation that we have in the country today, after the elections, is qualitatively different from what we were having. The other day, we were having a very good discussion during the Question Hour about the condition of the bidi workers. Or, we are discussing about the unorganised sector or the difficulties of the workers being faced. These are the kinds of discussions that we have. I have been in this House for quite sometime. For the last five-and-a-half years it became a rarity to discuss about the workers, labour rights, etc. We were considered somewhat of a specimen belonging to the Jurassic Age in so many words. Those kinds of incentives were hurled at us. But, now, the situation is not like that. I think, since we are talking of employment, we are talking of employment not only in quantitative terms but also talking of in terms of quality of employment. We are talking of growth. We are talking of growth because we want to provide employment so that the quality improves and so much so the quality of life of the people changes. We have undertaken a project of changing the face of India. With the way we reached out to the whole world, the way we interact with the world, I think, we should not be creating a situation where the labour has no rights. it has no dignity. And, that should be the major concern. I am not a student of economics, or, an eminent economist like Mr. Jairam Ramesh. But I was just going through certain papers. If you look at the trend of growth, you will find that consistently, in this country, the incremental capital output ratio has been less than the incremental labour output ratio. We hear day-in and day-out about labour reforms. But, at least, if a fraction of that importance or weightage had been accorded to the question of corporate governance, maybe, this country would have been much better off. Now, that some fight is going on between some individuals of a family, a lot of things are coming out and people are having a more transparent view of the corporate

world. But, generally, it has been a fashion in such a discourse on reforms to ensure that labour is pliant, they do not talk of their lives, and so on and so forth. But the actual fact is, in the growth of economy, the contribution of labour has been quite considerable. And, in that sense, we have a feeling that if labour rights are ensure, the labour will also behave and take upon themselves the responsibility of contributing more positively, more creatively to the growth process. We welcome the fact that when the Bill was circulated for presentation in the Lok Sabha certain freedoms were accorded to the State Governments to do away with the existing labour laws. Now, we have a Bill, as introduced in our House, where that provision has been removed. We welcome this change. This is in spirit of the National Common Minimum Programme, or, the changed realisation that we have about the labour. But in one provision still, Sir, some thought is there which is causing some anxiety, that is, clause 49, where the Central Government burdens itself with powers where it can suspend all existing laws. I think, the Government also has a legitimate concern. For example, if any subversive activity takes place, if something antinational takes place, which has an external dimension, where the State Government laws will not be valid, or, the State Government may not have the way to deal with that situation, the Central Government may have to intervene. But, at the same time, we have had the experience of labour rights being totally marginalized in this country, and elsewhere also this has been the experience that exports have taken place, growth has taken place, but labour has been a casualty. So, there are certain legitimate concerns. If we can insert a phrase 'save and accept labour laws', I think, that will do well in quelling those kinds of worries and concerns. We can address them.

[THE VICE-CHAIRMAN (SHRI SANTOSH BAGRODIA) in the Chair.] I think, at every juncture in the course of and in the trajectory of development, we have chosen for ourselves the concern that labour has to be taken along. And, only by ensuring their rights, our process of development can be sustainable, where we can grow in the manner we want to grow. If you look at exports, again, I come back to the economic point that if you ask anybody what is the strength of the Indian exports, where Indian exports are competitive, the common answer that will come from all corners of the House will be: Our labour is relatively more cheap. Therefore, unless we are prepared to protect the rights of the labour, while ensuring and carving

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certain paths of economic development where there will be growth, I think, we may end up in a course which can be self-defeating. Therefore, I propose these changes, while welcoming the overall framework of the Bill. And, I think, my friend on the Opposition will also not be unhappy because, ultimately, if we have to grow and go ahead there has to be a conscensus on the broad contours of the course that we have to take. Thank you, Sir.

STATEMENTS BY MINISTERS—*Contd.*

Status of implementation of the recommendations contained In The First Report of The Department-related Parliamentary Standing Committee on Defence

THE VICE-CHAIRMAN (SHRI SANTOSH BAGRODIA): Before I call the next speaker, as a special case, I request Shri Pranab Mukherjee to make a statement regarding the status of implementation of the recommendations contained the the First Report of the Department-related Parliamentary Standing Committee on Defence. He can just lay it on the Table.

THE MINISTER OF DEFENCE (SHRI PRANAB MUKHERJEE): Sir, with your permission, I beg to lay on the Table of the House a statement in respect of implementation of the recommendations contained in the First Report of the Standing Committee on Defence.

THE VICE-CHAIRMAN (SHRI SANTOSH BAGRODIA): Thank you, Now, Shri Vijay Darda.

GOVERNMENT BILLS

The Special Economic Zones Bills, 2005—*Contd.*

श्री विजय जे॰ दर्डा (महाराष्ट्र): उपसभाध्यक्ष महोदय, सर्वप्रथम मैं माननीय मंत्री जी को इस बात की बधाई देता हूं कि जो इस बिल को सदन के पटल पर लाए हैं। सन् 2000 में जो बिल आया था, उसका इम्प्लीमेंटेशन आज तक नहीं हो सका। यह एक दुख की बात है। इस बिल से हमारी